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CUSTOMERS' PERSPECTIVE ON MICROPAYMENTS IN VIDEO GAMES

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CUSTOMERS' PERSPECTIVE ON MICROPAYMENTS IN VIDEO GAMES

Micropayments in video games have raised controversial discussion on numerous internet forums, as well as in the media. Several academic research papers, experts and bloggers have touched the subject, but research is lacking on the customers' perspective. Ergo, a need for a thesis on this specific topic was felt.

The main objective of this thesis was to find out in depth, what customers really think about micropayments in video games, and why. A secondary objective of this thesis was for it to work as an information package on micropayments in video games – a collective, informative rundown on the subject – for anyone interested in this particular pricing model; in speculation of its effectiveness.

Data collected in research for this thesis are mostly quantitative, as questionnaire was chosen as the method of data collection in order to maximize the sample size. The questionnaire was advertised on several video game related internet forums in order to reach a plausible audience with an interest in the subject matter.

Findings were analysed and conclusions were drawn in the benefit of the reader and further research. It was found out that there is a multitude of reasons for customers to like and dislike micropayments, and that customers' perceivedness of video game prices over the years is in contradiction with reality.

Results of this study show that in general micropayments in video games are more often disliked than liked by the customers – they are less popular in the eyes of the customers than in the eyes of the video game companies. Among the most notable conclusions of this study are that customers find micropayments more acceptable in free-to-play than in pay-to-play games; customers dislike micropayments enabling unfair advantage in multiplayer games; and customers do not like to feel forced to use micropayments in video games, but are willing to pay for extra content or features they can choose by themselves.

KEYWORDS:

Micropayments Microtransactions Video games Games Pricing Pricing strategies

OPINNÄYTETYÖ (AMK) | TIIVISTELMÄ
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ASIAKKAIDEN MIELIPIDE MIKROMAKSUISTA VIDEOPELEISSÄ

Mikromaksut videopeleissä ovat nostattaneet ristiriitaista keskustelua monilla internetfoorumeilla ja mediassa. Useat akateemiset tutkimukset, asiantuntijat ja bloggaajat ovat käsitelleet tätä aihetta, mutta tutkimuksessa on puutteita asiakkaiden mielipiteen suhteen. Tästä syystä tarve tämän spesifisen asian tutkimukselle oli olemassa.

Tämän opinnäytetyön päällimmäinen tavoite oli selvittää, mitä asiakkaat todella ajattelevat mikromaksuista videopeleissä, ja miksi. Tämän opinnäytetyön toissijainen tavoite oli toimia tiedonlähteenä mikromaksuista videopeleissä – informatiivisena pakettina kaikille aiheesta kiinnostuneille; pohdintana mikromaksujen tehokkuudesta.

Tämän opinnäytetyön tutkimuksessa kerätyt tiedot ovat suurimmaksi osaksi kvantitatiivisia, sillä tiedonkeruumenetelmäksi valittiin kysely tavoiteltaessa mahdollisimman suurta otantaa. Kyselyä mainostettiin useilla videopeliaiheisilla internetfoorumeilla tavoiteltaessa sopivaa vastaajakuntaa, jolla on kiinnostus kyseiseen aiheeseen.

Tutkimustulokset analysoitiin ja päätelmiä tehtiin lukijan ja tulevan tutkimuksen eduksi. Tutkimuksessa selvisi, että asiakkailla on monia syitä pitää tai olla pitämättä mikromaksuista, ja että asiakkaiden käsitys videopelien hinnoista menneiden vuosien aikana ei ole yhtenevä todellisuuden kanssa.

Tutkimustulokset osoitavat, että mikromaksut videopeleissä ovat suhteellisen vähän pidettyjä asiakkaiden keskuudessa – ne ovat vähemmän suosittuja asiakkaiden silmissä, kuin videopeliyritysten silmissä. Tämän tutkimuksen tärkeimpiin johtopäätöksiin lukeutuu muun muossa se, että asiakkaat arvostavat mikromaksuja enemmän ilmaispeleissä, kuin peleissä joista joutuu maksamaan aloittaessaan pelaamisen; asiakkaat eivät pidä siitä, että mikromaksut tarjoavat mahdollisuuden epäreiluille etuuksille moninpeleissä; ja asiakkaat eivät myöskään pidä siitä, että tuntevat joutuvansa käyttämään mikromaksuja videopeleissä, mutta sen sijaan ovat valmiita maksamaan lisäsisällöstä tai –ominaisuuksista, jotka he voivat itse valita.

ASIASANAT:

Mikromaksut Videopelit Pelit Hinnoittelu Hinnoittelustrategiat

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TERMINOLOGY

Gaming	The act or hobby of playing video games
Gamer	A person, who plays video games as a hobby
Player	Consumer of a video game

1 INTRODUCTION

1.1 The objective of the thesis

Micropayments, or microtransactions, are becoming an ever more popular business model in video games, especially in those played online. One of the biggest names in the gaming industry, **Electronic Arts, Inc.**, a developer, marketer, publisher and distributor of video games, has announced that it will be implementing the micropayment pricing model in every single game it produces in the future (Pearson, 2013). No matter whether for companies micropayments are a plausible pricing model, a survival strategy, or merely a new way to milk profits, for customers the issue is very controversial (Statt, 2013).

As put by Kotler and Armstrong (2014, 310), when effective product development, promotion and distribution are the seeds for business success, effective pricing is the harvest. Micropayments take the word ‘harvest’ to a whole new level seeing that this pricing model enables profits to be harvested long after the initial purchase of a game, one small payment at a time.

Micropayments are defined as online transactions up to $10.00. As a successful pricing model, micropayments are often characterized by reliability, security and ease of use. (Stanford University, 2011.)

In video games, micropayments are mostly small purchases of virtual in-game items, services or even currency. These purchases are usually easy to complete, merely a couple mouse-clicks away after having initially inserted one’s payment information in the service. Services under the micropayment pricing model in video games may offer the consumer anything from game-changing upgrades and extra content to minor cosmetic perks.

Having seen outcries about micropayments in the media and on several gaming-related internet forums, I suspect that customers view this pricing model in a very controversial light, perspectives depending on the implementation of the model

and the types of games it is used in. **The main objective of this thesis is to find out in depth, what customers really think about micropayments in video games, and why**. I hope that the results of this research would be of help to companies in the video game industry, when they are deciding whether to implement a micropayment pricing model, and how to do it right. Taken that micropayments can be implemented 'the right way' or the 'the wrong way', I believe the key is to choose a suitable approach for each different situation.

A secondary objective of this thesis is for it to work as an information package on micropayments in video games – a collective, informative rundown on the subject – for anyone interested in this particular pricing model; in speculation of its effectiveness. Sometimes implementions such as 'downloadable content' and 'online passes' are separated from micropayments in terminology, but since the principle is the same, for the purpose of research in this thesis all transactions that fall into the Stanford University's (2011) definition of micropayments will be regarded as such.

1.2 Research questions

From the main objective of this thesis I have derived the following research questions.

1. What do customers like about micropayments in video games?
2. What do customers dislike about micropayments in video games?
3. Do customers feel that video games have gotten more expensive over the years?

The relevance of the third research question to customers' perspective on micropayments in video games is explained in chapter 2.2 Pricing in video games, along with my main hypothesis for research; whereas the first two research questions are self-explanatory.

1.3 The structure of this thesis

The second chapter of this thesis will consist of literature review on the research subject, beginning with theories of the most fundamental aspect of a business model related to micropayments: **pricing**. Having covered pricing theories, the thesis will get closer to our subject area by introducing **pricing in video games**. Lastly in the literature review chapter of this thesis **micropayments in videogames** will be covered in accordance with the secondary objective of the thesis - an informative rundown on micropayments in video games.

In the third chapter of this thesis **the methodology of research is presented** and the regarding choises of research methods are explained. The validity and reliability of the thesis, as well as need for further research on the subject area is discussed.

In the fourth chapter of this thesis **the findings of the research will be analyzed**. The customers' perspective on micropayments in video games will be speculated according to the results of the research.

The fifth and final chapter will present **the conclusions** of this study of micropayments in video games. Analyzed findings of the research are summarized, and conclusions are drawn in the benefit of the reader and future research. Analytical answers to the research questions of this thesis are recapped in this conclusive chapter.

2 LITERATURE REVIEW

2.1 Pricing

Pricing is a fundamental part of a business model, seeing that **price** often has a great effect on a customer's purchace decision. History of marketing tells us that, in the past, price has been the biggest factor affecting buyer choice (Kotler and Armstrong, 2014, 312). Even today, pricing strategy remains one of the most important aspects contributing to business' success, despite it having, in the recent decades, lost some ground to nonprice factors, such as a fast delivery (Ibid.).

Pricing can be seen as a process for managing and updating pricing decisions in an effective and consistent manner (Phillips, 2005, 18). According to Groucutt (2005, 249), price may be defined as 'a measure of the value exchanged by the buyer for the value of the product or service offered by the seller'.

Kotler and Armstrong (2014, 312) state that in the marketing mix, price is the only element that produces revenue, while all other elements – product, place and promotion of the four Ps of marketing (Figure 1.) as suggested by McCarthy in the 1960s (Vliet, 2013) – represent costs.

Figure 1. McCarthy's four Ps of the marketing mix (NetMBA, n.d.).

Another unique feature of price, comparing it to the other elements of the marketing mix, is its flexibleness: it can be changed easier and quicker than the other elements, making pricing a responsive tool in marketing (Kotler and Armstrong (2014, 312).

Within the four Ps of the marketing mix, Vliet (2013) claims that price is an important factor for both the consumer and the supplier. This means that in most cases, price is determined by the propotional relationship between supply and demand (Ibid.). Vliet (2013) agrees that price is the one element that can be changed easily and quickly, and states that this is precicely why this instrument of marketing is used so frequently. Vliet (2013) continues by stating that pricing however involves costs, seeing that pricing is a process that needs to be done by someone, and it may have even material costs, such as changing a menu card. Respectively, the costs of pricing may have an effect on the price itself, depending on where the product or service is promoted (Ibid.).

In 1990, Robert F. Lauterborn (1990, 61) proposed a new classification for the marketing mix – the four Cs (Figure 2.) - in order to tackle issues faced by McCarthy's four Ps.

Figure 2. The four Cs versus the four Ps of the marketing mix (Custom Fit Online, n.d.).

Lauterborn presented the four Cs as a more consumer-oriented version of – and directly comparable to – the four Ps (Kotler and Keller, 2006). Lauterborn had seen the need for such revision after finding out in his studies that 80 percent of new products had failed each year in the U.S. market (McClean, 2012).

I think that the relevance of this marketing mix theory towards pricing lies in the fact that it is a major stepping stone in theories regarding price – pricing is more than just about price itself. According to Lauterborn's four Cs, pricing should rather consider costs – 'cost to satisfy' – than just price, seeing that price is merely a part of those costs (Lauterborn, 1990, 41). Lauterborn emphasizes that the costs may consider for example the *cost of time* acquiring a desired product or service, *a cost of conscience* when consuming a product, or even *a cost of guilt* in an example case of not sharing the product (Ibid.).

Foremost, pricing is an important tool in the marketing mix for capturing and creating customer value (Kotler and Armstrong, 2014, 334). This tool, pricing, can be seen as a mean to an end – *or ends* – seeing that companies usually have a

multitude of objectives for pricing (Groucutt, 2005, 250). The most important pricing objective – much like in all business operations – is to generate revenue, and consequently maximize profits (Ibid.). When it comes to pricing, there are certain limitations to go by: the ceiling for prices is set by customer's perceptions of the product's value, and likewise the floor is set by the product costs (Kotler and Armstrong, 2014, 313). According to Groucutt (2005, 250), additional pricing objectives include, for example:

- maintaining or increasing market share,
- creating a fair price that is equitable for both the buyer and the seller,
- and delivering a perceived or real value to the buyer, or better yet, both.

Kotler and Armstrong (2014, 313) clarify that the price a company charges for its products or services falls somewhere between one that is too low to generate profit and one that is too high to produce any demand. Kotler and Armstrong (2014, 313) continue that there are many factors to be taken into account, when setting a price. A pricing strategy must be developed to assess and consider these factors, which are, for example:

- the overall marketing mix and strategy,
- demand and the market itself,
- as well as competitors' strategies and prices (Ibid.).

Next in the thesis, pricing strategies most fundamental to the video game industry will be introduced.

2.1.1 Pricing strategies in the video game industry

The stage of a product's life cycle has an effect on its pricing strategy. Pricing can be especially difficult for new products. There are two strategy concepts that are applicable to new releases: market-skimming pricing and market-penetration pricing. (Kotler and Armstrong, 2014, 336.)

Taken that all releases in the video game industry are essentially new products - both the video gaming hardware and the video games themselves - these aforementioned pricing strategies are the ones covered in this thesis.

Market-skimming pricing, or price skimming, is a strategy where the initial price of a product is set very high, in order to *skim* the market for revenue, stage by stage (Ibid.). This means that only the most eager customers, who really want the product right away, purchase it at the high price point (Ibid., 337). Later on the price is reduced to attract a new set of customers – to skim another stage – and so forth (Ibid.).

The best example from the video game industry I can think of is **Sony's** video game console, **Playstation 3**, which was released in 2006 in United States. In November 2006, the launch price for the 60GB model of Playstation 3 was $599, in July 2007 the price of the same model was dropped to $499, and following many stages the launch price for a 500GB PS3 Super Slim model was $299 in October 2012 (Wikia, n.d.). Sony reported that at best, Playstation 3's sales doubled in the weeks following these price cuts (Takenaka, 2007).

As for video games themselves, there are many formats such as '**Platinum**' and '**Player's choice**' under the name of which popular hit games are sold at a lower price point later in their life cycle. Figure 3 illustrates how the Player's choice format is labeled to justify the lower price point in attempt not to undermine the value of newer releases.

Figure 3. Player's choice version of Super Mario Sunshine for Nintendo GameCube (The Gamers Vault, n.d.).

Alternative to market-skimming pricing for new products is **market-penetration pricing** (Kotler and Armstrong, 2014, 337). Market-penetration pricing is about setting an affordable, low initial price in order to attract a lot of consumers fast and gain a significant market share – to *penetrate* the market (Ibid.). For this pricing strategy to be viable,

- market for the product must be highly price sensitive,
- production costs must decrease whilst sales volume increases,
- and the low price point must be able to keep competition at bay (Ibid.).

In the video game industry, market-penetration pricing is often used with video games that are less popular to begin with – those that have not attracted a lot of attention before their release. A lot of these are '**indie games**'. Indie games are considered video games that are developed by either individuals, small teams or small independent companies (Juan, 2008). These small independent companies are often formed for the specific purpose of development of a single video game, and typically these games are smaller than mainstream titles, especially in terms of budget (Prince and Roth, 2004). The low budget, which is often characteristically visible in indie games, means that in most cases indie games

require a low price point in order for them to reach their target audience and henceforth survive and grow in the market.

A good example of a successful indie game - utilizing the market-penetration pricing strategy - is **Minecraft**, created by **Markus 'Notch' Persson**, published by a company formed by Persson, **Mojang AB**; and officially released on the 18th of November 2011 (Mojang, n.d.). A consumer copy of Minecraft was priced at a moderate amount of $26,76 at its release (Curse, 2014). As of today, Mojang AB, along with its creation Minecraft, is being sold to **Microsoft** for $2,5 billion (Stuart and Hern, 2014).

Video game distributors have attempted to boost PC game sales by distributing games online. The most popular of these, **Steam**, the online distribution platform of **Valve Corporation**, has derived a significant portion of its revenue from casual video games. As an example, in May 2009, one of Steam's best-selling titles was a casual arcade style action-strategy game **Plants vs. Zombies**, developed by **PopCap**. This game was available for download from Steam for a humble $10, or as part of a $99 bundle including 30 casual games developed by PopCap. (Wesley and Barczak, 2010, 180.)

In the next part of the literature review of this thesis, more light will be shed on pricing in video games, in order to move towards the main subject area in this thesis - micropayments.

2.2 Pricing in video games

There is an enormous market for video games – in 2014 its size is estimated at $81,5 billion (Newzoo BV, 2014). This economic sector – the video game industry – is involved with the development, marketing and sales of video games, employing thousands and thousands of people worldwide (Zackariasson and Wilson, 2012). Enormous budgets in video game development highlight the video game industry; a case in point is the fact that a video game developed by **Bungie**, and published by **Activision**, **Destiny**, which was released on the 9th of

September 2014, was reported a budget of $500 million - making it more expensive than any movie ever made (The Economist, 2014; Pirzada, 2014).

“No other sector has experienced the same explosive growth as the computer and video game industry”, notes the president and CEO of Entertainment Software Association, **Michael D. Gallagher** (2013). The explosive growth, as well as technical developments, lead to radical, continuos changes in the industry, which result in a multitude of challenges and opportunities for video game companies. Many of these challenges and opportunities are related to the **pricing in video games**.

One of these aforementioned challenges is the customers’ perception of video game prices – and the tricks that inflation play on customers’ minds: nowadays video game consumers feel that their hobby of **gaming** is getting more and more expensive each year (Kuchera, 2010). In 2010, the average **gamer** was 34 years old, and had been playing video games for an average of 12 years (Entertainment Software Association, n.d.). This means that they have seen the prices of individual video games go higher and higher over time. Kuchera (2010) argues that this makes the customers worry about the increased strain the hobby of gaming puts on their budget.

Kuchera (2010) does not deny customers’ opinion of gaming being an expensive hobby, but implies that things having been any better in the past is merely an illusion. He (Ibid.) states that from the customer’s perspective, it was even worse – gaming has in fact never been less expensive. As one can observe from Table 1, the average big budget video game title having a price tag of $60 nowadays does not seem that expensive anymore after comparing it to the video game prices in 1993 – adjusting the prices for inflation of course (Ibid.).

Table 1. The prices of video games in 1993 adjusted for inflation (Kuchera, 2010).

Video game	1993 price	2010 price adjusted for inflation
Streets of Rage 2	$64,99	$98,19
Sonic 2	$49,99	$75,53

Outrun	$31,99	$48,33
Talespin	$43,99	$66,46

Likewise, Table 2 shows that the same pattern can be found on the hardware side of video games as well, gaming consoles that is; Nintendo Entertainment System from 1985 being the *most expensive* Nintendo console.

Table 2. The real cost of Nintendo's consoles over the years (Moriarty, 2013).

Console	Release Year	Cost	Inflation Rate	New Cost
NES	1985	$199.99	117.40%	$434.69
SNES	1991	$199.99	71.70%	$343.41
N64	1996	$199.99	49.10%	$298.11
GameCube	2001	$199.99	32.10%	$264.25
Wii	2006	$249.99	16.00%	$290.01
Wii U	2012	$349.99	1.90%	$356.62

In addition to the price of video games, the price of video game hardware – consoles, personal computers and such – contribute to the total cost invested by the customer towards his or her hobby of gaming. The real cost of Nintendo's consoles over the years (Table 2.) further contributes to the customers' perception of gaming having gotten more expensive as a hobby, despite of it not being true. Not to forget video game development budgets having drastically gone up over the years (Kuchera, 2010).

These observations about the current customers' perception of video game prices give birth to **my main hypothesis** concerning the popularity of **micropayments in video games**, from the industry's perspective. Costs for the video game companies having gone up, video game prices having actually gone down, and yet consumers perceiving the prices having gotten higher… All these factors favor cutting the price of playing a video game in smaller pieces, making the prices more approachable to customers on the level of perception.

Regarding pricing in video games, one must note that the majority of the costs of a video game company do not come from the production of copies of the installment sold to the consumers, but from developing and marketing the game. As an example, the development budget of **Grand Theft Auto V**, a video game published by **Rockstar Games**, was reported to be approximately $265 million including marketing costs, outshadowing the cost of mass-producing individual copies of the installment completely (Fleming, 2013). Low cost of individual copies of installments applies to virtual goods and extra content as well - those that are sold utilizing micropayments.

In the last part of the literature review, micropayments will be covered in accordance with the secondary objective of this thesis.

2.3 Micropayments in video games

Micropayments are, by definition, transactions involving small sums. The micropayment pricing model is characterized by establishing a system allowing consumers to pay these small sums – from a few cents to a handful of dollars – in exchange for products and services, without the seller having to process credit cards with each transaction. The micropayment pricing model is most practiced, and most likely to excel in business-to-consumer commerce, such as in the video game industry. (Guttmann, 2003, 81, 86.)

"The next and much bigger piece [of the business] is microtransactions within games," explains the Chief Financial Officer of Electronic Arts, **Blake Jorgensen**. "We're building into all of our games the ability to pay for things along the way, either to get to a higher level to buy a new character, to buy a truck, a gun, whatever it might be, and consumers are enjoying and embracing that way of the business" (Pearson, 2013). This is what **micropayments in video games** are indeed about, from the companies' perspective; but as Pearson (2013) states, a big portion of EA's core audience is not yet convinced. He (Ibid.) refers to the example of EA's recent video game release, **Dead Space 3**, in which the inclusion of micropayments was received poorly by the fans. Nonetheless, despite the negative reaction from customers, many of EA's major franchises that

utilize micropayments, such as **FIFA** and **Battlefield**, have been hugely profitable (Ibid.). The controversial irony in the micropayment pricing model, when utilized shamelessly, is that at the same time the company's image deteriorates in the eyes of the consumers, whilst the company reaps bigger and bigger profits.

The micropayment pricing model requires internet connection to be utilized, seeing that both the transaction and the product or service delivered in return are virtual in the video game industry. For synergy, this is why video games utilizing micropayments often have other online features as well, or are played online completely. For the same reason, a significant portion of games utilizing micropayments are **mobile games**: according to **Juniper Research**'s report in 2010, mobile gaming revenue is estimated to grow to $11 billion in 2015 on the strength of in-game micropayments and in-app billing mechanisms (Montgomery, 2010).

After development of a digital game or feature within, the 'production costs' of a new copy to be sold to consumers is close to zero - it is merely about making sure the programming is functional and keeping the network connection up and running. The transactions themselves, micropayments, however involve costs (Pearson, 2013). Jorgensen claims that if one is using micropayments, and processing credit cards for every one of those transactions, one is going to be in big trouble very soon: due to the huge amount of transactions, it would be costly and heavy on the network – this is why a system is needed specifically for micropayments (Ibid.).

An example of these systems is online payment company **Paypal's** micropayment solution, which was published in February 2011. The solution was promoted to "game developers, media publishers, or anyone interested in selling digital content on a global scale". This solution offered micropayments a competitive fee structure, with pricing a 5 percent plus 5 cents for purchases under $12. PayPal claimed that the key thing to micropayments is getting the customer through the process with as little fricition as possible, securely. Paypal has implemented it so that customer's can make a purchase in two mouse-clicks, without ever leaving the publisher's game. (Melanson, 2011.)

Micropayments do strong in free-to-play games – with the rise of this particular business model, developers needed to find new ways to monetize their apps and online games (Empson, 2012). The free-to-play model is ideal for micropayments: access to the video game is given free to the customer, and then the customer is sold extra content and upgrades for 'insignificant' amounts of money, and these purchaces often multiply to a more significant amount of money (Ibid.). In 2011, consumer spending on vitual goods in United States grew to $2,3 billion, which was 30 percent more than in 2009 (Ibid.). In the free-to-play model, hand-to-hand with profits go the visibility of the video game – the obstacles are few for new customers to try a video game that is offered free of charge. Award winning indie developer **Steve Stopps** argues that when it comes to micropayments, the free-to-play model is favoured by the customers (Jenkins, 2014). In contrast, extracting further revenue from paid games does not win the customers' respect, and in the long run damages a company's reputation (Ibid.).

According to my observations in video game forums, as agreed by blogger **Chris Hernandez** (2013), one of customers' worst fears regarding micropayments is companies purposefully selling incomplete video games, with the ulterior motive of selling rest of the game as 'expansion packs' and other *extra* content. This is a serious issue in the video game industry, seeing that the video game developers are pushed to develop their games in a certain way to make this possible, hindering the quality of video games in general. Usher (2014) confirms this concern by reporting that Electronic Art's highly anticipated game, **The Sims 4**, has caused major frustration among fans by being released without certain in-game features only to be released later as pay-to-acquire expansion packs – features that have been included by default in all the previous titles. Usher (2014) notes that because of these kind of customer-discontent-inducing shameless decisions, it is no wonder that Electronic Arts has been chosen Worst Company in America two times already.

Paul Tassi (2013), a well-known **Forbes** contributor, has put together guidelines along which companies are suggested to work with in regards to micropayments in video games, in order not to lose their customers, nor the respect of theirs.

Tassi (2013) specializes in video games, technology and internet. He (Ibid.) acknowledges the relevance of micropayments in the video game industry, seeing that they are ‘lurking into nearly every new game release’. Having observed the customers’ reactions to micropayments, the following are Tassi’s (2013) conclusions:

- Non-cosmetic in-game items, which have relevance to the gameplay, should, in addition to micropayments, always be available through gameplay as well, no matter however much ‘work’ it takes. Straightforwardly locking essential parts of a game behind a ‘paywall’ feels wrong to the customers and drives them away;
- The aforementioned non-cosmetic in-game items should not offer unfair advantage in multiplayer games. This kind of unfair advantage would be considered ‘game-breaking’ and give birth to ‘pay-to-win’ scenarios, where only those who can invest big amounts of money in the game will excel – leaving a big portion of the player base upset;
- Clear pricing policies should always be utilized in micropayments. This means that instead of confusing in-game currencies, which detach players from the idea of spending real money and make it unclear how much they are actually paying, clear dollar amounts should be given to make the purchace decisions simpler;
- Video games should not be designed around paying to save time. For example, having to pay a micropayment of $2 each time you fail in a game to remove a time penalty and try again instead of waiting 20 minutes would be extremely repulsive to most customers;
- It increases the value of the game in the eyes of the customers, if not all upgrades to the game are behind micropayments – ‘free stuff’ and maintaining the game’s quality enhance a positive image and earn the customers’ respect;
- Lastly, it should be emphasized that the most respected games utilizing micropayments, such as an online multiplayer game **Dota 2** (Figure 4.), focus on monetizing cosmetic upgrades that have no effect on gameplay.

This makes a game, which employs the free-to-play model, much more approachable to new players and thus, the customer base keeps growing.

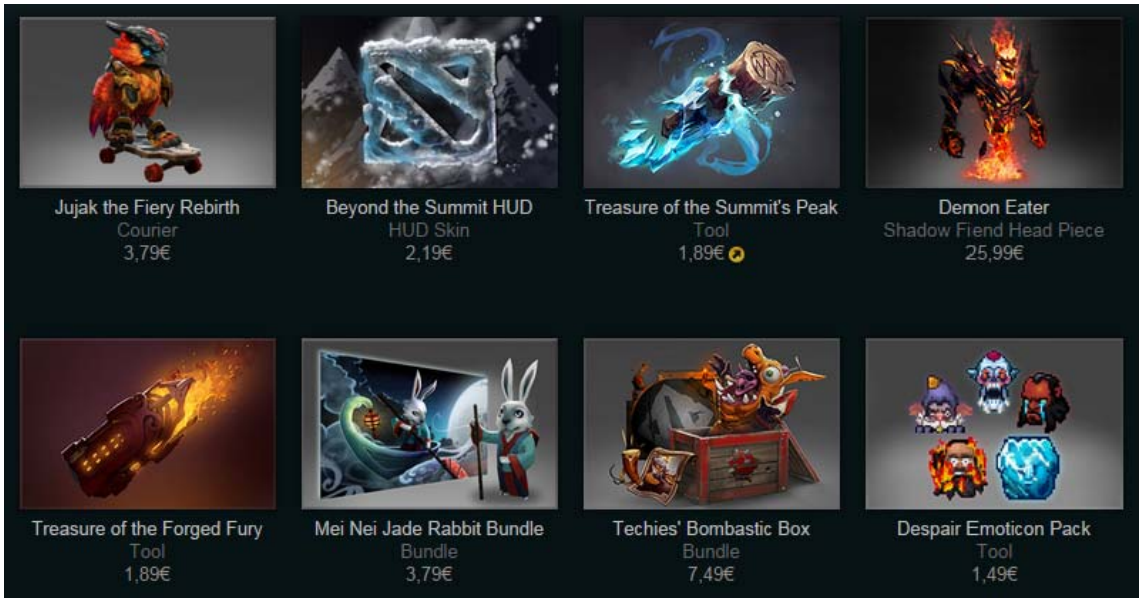


Figure 4. Cosmetic items and additional services in Dota 2 in-game store (Valve Corporation, Copyright© 2014).

Even micropayments that seem to have been implemented not-so-respectfully, ought to have their audience. Gamer and blogger **Kevin Quan** (2005) wrote in his blog that micropayments are a great idea, because it lets him invest money instead of time in video games, because he values his time more than the money – it lets him be on the same level with those players, who have more time to invest than he does. These kind of differing opinions make it interesting to study this subject further, and in my following research I hope to uncover more of these opinions and construct an analyzed consensus of them. In other words, I plan to fullfil this thesis' main objective of finding out in depth, what customers really think about micropayments in video games, and why.

3 METHODOLOGY

3.1 Research methodology

By definition, research is something that is undertaken in order to find out things in a systematic manner in pursuit of knowledge. Important characteristics of research that is conducted appropriately are:

- systematic data collection,
- systematic interpretation of collected data,
- as well as a clear purpose of finding things out. (Saunders et al, 2012, 4-5.)

Methodology of the research is important to its validity, seeing that methodology refers to the theory of how research is conducted, thus having an effect on the result of the research. Methods of research are many, they refer to the various techniques and procedures utilized to collect and analyze data. These methods include, for example, interviews, questionnaires and observation; as well as both quantitative and qualitative analysis techniques. (Ibid., 4.)

The starting point for planning the **research methodology of this thesis** are the following research questions derived from the main objective of the thesis:

1. What do customers like about micropayments in video games?
2. What do customers dislike about micropayments in video games?
3. Do customers feel that video games have gotten more expensive over the years?

Planning the methodology of research, a choise must be made between quantitative research, qualitative research, and a mixture of these. Quantitative data collection techniques (e.g. a questionnaire) and analysis procedures (e.g. a diagram) generate or use numerical data. (Ibid., 161.)

In contrast, qualitative research generates or uses non-numerical data. Qualitative data collection techniques, such as an interview, generate non-

numeric data; and the generated non-numeric data must be analyzed with qualitative data analysis procedures such as categorizing data. The distinction between quantitative and qualitative research is problematic, because in pratice research designs are likely to combine both quantitative and qualitative elements. For example, sometimes necessary ’open’ questions within a questionnaire generate non-numeric data, respondents’ own words that is, which have to be analyzed by qualitative data analysis procedures. (Ibid.)

The research methods used in this thesis are mainly quantitative, due to the nature of the objective of the thesis and the research questions derived from it. Seeking the customers’ opinion, not specifying any specific population or customer type, the bigger the sample size is, the more valid the results. I think that when the biggest possible sample size is pursued, it is best that the data are able to be quantified to be presented in for example graphs and charts in representation of the whole population.

The data collection method is chosen to be a questionnaire, because it was determined the best way to reach as many respondents as possible in order to increase the validity of the generalization of the research results. Quantitative research methods support the objective of the thesis, because this approach can be both deductive (to test the main hypothesis), and inductive (to develop a theory of customers’ perspective on micropayments in video games) (Ibid., 162). Some qualitative elements will be included in the form of optional open questions in order to make the results of the reseach more profound and leave less room for observer error – the hypotheses derived from the secondary data presented in the literature review chapter of this thesis cannot possibly cover all the opinions customers may have about micropayments in video games.

Data obtained for the purpose of answering the research questions can be either primary data or secondary data (Ibid., 304). Primary data are data that are collected specifically for the research being conducted, and secondary data are data that were originally collected for some other purpose (Ibid., 678, 680). Secondary data may come from anything from documentaries to surveys (Ibid., 307).

In this thesis, questionnaire results are considered primary data. Research results will be constructed by analyzing this primary data. Secondary data that were presented in the literature review chapter act as a basis for hypotheses that are used to form the questionnaire questions. However, the qualitative data collected in the form of answers to the open questions do not have any links to the secondary data. The primary data collected in this thesis with the questionnaire will be mainly quantitative data, either categorical or numerical (Ibid., 472, 475). Quantitative data analysis procedures will be undertaken.

3.2 Research design

A questionnaire is a data collection method, in which each respondent is asked to answer to the same set of questions – in a predetermined order (Ibid., 416). The design of the questionnaire is important, seeing that it will affect the response rate, as well as the reliability and validity of data collected (Ibid., 419). The questionnaire in this thesis has been designed with the characteristics of a good questionnaire design in mind. These characteristics are:

- precise design of individual questions,
- clear and pleasing layout,
- and an easily understandable purpose of the questionnaire (Ibid.).

These characteristics are especially imporant for the questionnaire in this thesis, seeing that the objective of this questionnaire is to attract as many responses as possible in a relevantly limited time. The questionnaire needs to be appealing to the respondents, seeing that they are offered no other incentive to answer the questions than their personal interest in the subject matter. I believe that offering no other incentive is good for the validity of the responses, precicely because no one will fill out the questionnaire for alternative motives.

It is claimed that questionnaires often are not particularly good for research that requires a large number of open-ended questions (Ibid.). Questionnaires work best with standardized questions, which ought to be interpreted the same way by all respondents (Robson, 2011). This is why open questions in the questionnaire

in this thesis are kept to a minimum, and the respondents are given the option to complete the questionnaire without answering to the open questions. The goal of the open questions in this questionnaire will be to provide extra insight on the subject matter. This extra insight will not have an effect on the quantitative analysis of the quantitative data collected with the questionnaire.

The questionnaire questions in this thesis are derived from the hypotheses generated from the secondary data presented in the literature review chapter, as well as from the observation of the video game industry and its customers by the author. The questionnaire in this thesis ought to be attractive, simple and short to further increase the number of respondents, whilst maitaining the validity and reliablity of the results. The questionnaire in this thesis will be a **web-based**, **self-completed questionnaire**, which is sent electronically using the internet and completed by the respondents (Saunders et al, 2012, 419).

3.3 Data collection and sampling

Direct links to the questionnaire along with a covering note were posted on multiple video game related internet forums in order to reach a plausible audience with an interest in the subject matter. A total of eight forums were utilized with varying results: a complete list of these will be included in the appendix of this thesis. In addition, the questionnaire was advertised in author's personal social media networks: Facebook and Twitter.

A total of 101 responses were received to the questionnaire within the research period of 12 days. The population in this study consisted of all followers of those aforementioned internet forums and members in author's personal social media networks. The only sampling was done between individuals who play video games, and those who do not: the sample for this data collection consisted of those individuals of the population who play video games. This sampling was done by each individual themselves by answering the first question in the questionnaire.

It is acknowledged that the control of both population and sample size was lost, and this may lessen the validity of the results. The decision to overlook the control of the sample size was done in the benefit of the goal of reaching as many respondents as possible in order to increase the validity of the generalization of the results. This was also because it was estimated that within a limited population, the percentage of those individuals who play video games - and are interested to take a survey on micropayments in video games - would have been low.

The questionnaire held two purely demographical questions: about age and gender. A slight majority of the respondents (48,51%) were aged between 21 and 25, and a vast majority of the respondents (77,23%) were male.

3.4 Reliability, validity and generalization

Reliablity of the research refers to the consistency of the findings produced by the selected data collection techniques and analytic procedures, in a case of repeating the research another time, or if the research was replicated by another researcher (Saunders et al, 2012, 192). The results of the research in this thesis are most reliable at the time of the research. Reliablity of the results may degrade over time, seeing that the video game industry is volatile. It is acknowledged that more respondents to the questionnaire – a bigger population – would provide more reliable results. In the questionnaire, participant error is possible, but participant bias is unlikely, referring to the research design. Analyzing the results, researcher bias may be considered a threat to the reliability of the research, but being aware of the threat minimizes the loss of reliability.

Validity of the research refers to the accuracy of the data collection in measuring what it was intended to measure (Ibid., 193). The main objective of the thesis was to to find out in depth, what customers really think about micropayments in video games, and why. The research questions are derived straight from this objective, and the research questions are very simply and straightforwardly implemented in the data collection method – the questionnaire. Room was left for qualitative data as well – in the form of enabling the respodents to answer in their own words –

to enhance the profoundness of the results. These methods of data collection should ensure a fair amount of validity in the research. Opinions are opinions, so to say, and in themselves are always valid.

Generalization is about making more widely applicaple propositions out of the process of deduction from individual cases (Ibid., 671). For the most part in this thesis, the data are quantitative, the analysis of which being generalizing in itself. Taken that the only sampling is between those who play video games and those who do not, the population type is as adequate as possible to this topic, and therefore results generalized from it valid. However, it must be taken in to account that the amount of respondents – individual cases – is relatively small compared to the biggest possible population adequate for this research: all those people in the world who play video games. **Ergo, a research with more individual cases could be conducted in order to produce more reliable, valid, and generalized results.** Let the analysis of the research findings in this thesis be a good starting point for further research.

4 ANALYSIS OF THE RESEARCH FINDINGS

4.1 Introduction to analysis

The questionnaire being the sole method of research in this thesis, in this analysis chapter all responses to all the questionnaire questions will be analysed. This will be done in the following categories:

- demography,
- what do customers like about micropayments in video games,
- what do customers dislike about micropayments in video games,
- and customers' perception of video game prices over the years.

The categories are based on the research questions of this thesis. In each of these categories, the regarding questionnaire questions will be introduced. The layout of the questionnaire itself is available in the appendix section of this thesis. Every one of the questionnaire questions, aside from the demographic ones, has its roots in secondary data, the literature review chapter that is. By 'roots' it is meant that the questionnaire questions, as well as the answer options to them, embody the hypotheses derived from the literature review. This link between the secondary data and the questionnaire questions will be shown in the analysis of each of the aforementioned categories, except in the following demography category.

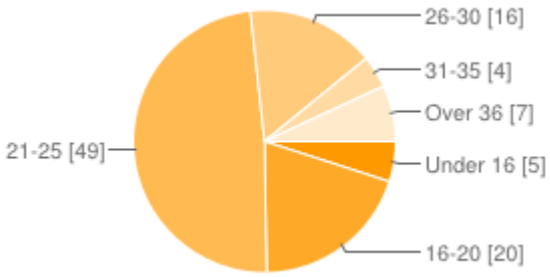
4.2 Demography

The demography of the respondents was examined with the following questionnaire questions.

- How old are you?
- What is your gender?
- Have you ever used micropayments in video games?
- For how long have you played video games?
- What do you nowadays spend most money on?

All of these questionnaire questions were required an answer to, and the reply options were multiple choise, out of which the respondents had to choose one.

The age distribution of the respondents (Figure 5.) was quite wide, thus giving a relevantly good basis for generalizing the results for video game consumers of all ages.

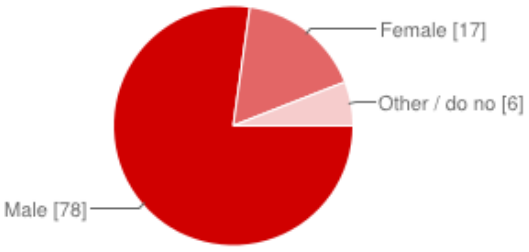


Under 16	**5**	5%
16-20	**20**	20%
21-25	**49**	49%
26-30	**16**	16%
31-35	**4**	4%
Over 36	**7**	7%

Figure 5. Age distribution of the respondents.

However, it must be noted that respondents between the ages of 21 and 25 held a slight majority at 48,51%. The second biggest age group was 16-20 at 19,80%, and the third biggest age group was 26-30 at 15,84%. This means that 84,16% of the respondents were aged between 16 and 30. Since the sampling of the research did not limit the age of potential respondents in any way, it could be conveyed that this particular distribution not only represents the age distribution of respondents of this questionnaire, but also indicatively represents the age distribution of all those people who play video games as well.

The gender distribution of the respondents (Figure 6.) was steeper than that of age.

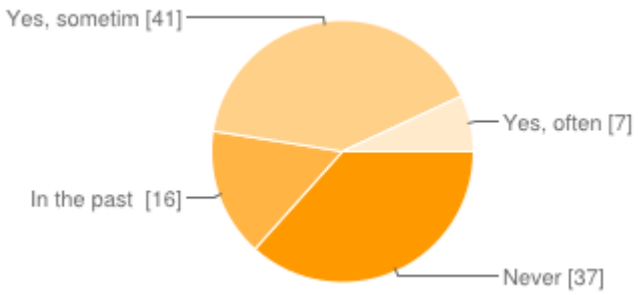


Male	**78**	77%
Female	**17**	17%
Other / do not want to disclose	**6**	6%

Figure 6. Gender distribution of the respondents.

A vast majority of the respondents were male at 77,23%. The minority of the respondents were either female (16,83%) or of other or undisclosed gender (5,94%). It can be conveyed that the hobby of video games is at least somewhat more popular among those of the male gender than others. For the analysis of the research findings done in this thesis, this means simply that a majority of the opinions expressed by the respondents come from males.

The frequency of respondents' usage of micropayments in video games (Figure 7.) varied greatly.



Never	**37**	37%
In the past yes, but not anymore	**16**	16%
Yes, sometimes	**41**	41%
Yes, often	**7**	7%

Figure 7. Frequency of respondents' usage of micropayments in video games.

The strongest detection we can make from this frequency distribution is that a majority of respodents either use micropayments in video games sometimes (40,59%) or have never used micropayments in video games (36,63%).

It gives credibility to the study, that a majority of the respondents (63,37%) have had first hand experience with micropayments in video games. It is also a fair assumption, that the rest of the respondents, who have never used micropayments in video games, are likely to have at least some degree of knowledge on the subject, seeing that the questionnaire was advertised as a

platform to give one's opinion on micropayments in video games. The existence of those individual respondents, who have never used micropayments in video games, but chose to take this questionnaire nonetheless, may indicate that those individuals relate negatively to micropayments in video games.

A majority of those respondents (65,08%), who have had first hand experience of micropayments in video games claim to use micropayments in video games 'sometimes'. This could indicate that most of the consumers of video games can use micropayments in moderation, if they are introduced to them. 25,00% of those respondents, who have had first hand experience of micropayments in video games, have only used them in the past. In distinct minority are those of the respondents who use micropayments in video games often (6,93%). From this it can be concluded that the usage of micropayments in video games is not very addictive, or is addictive only to a minority.

The amount of years the respondents have been playing video games (Figure 8.) indicates that for most of the respondents, playing video games is a long-standing hobby.

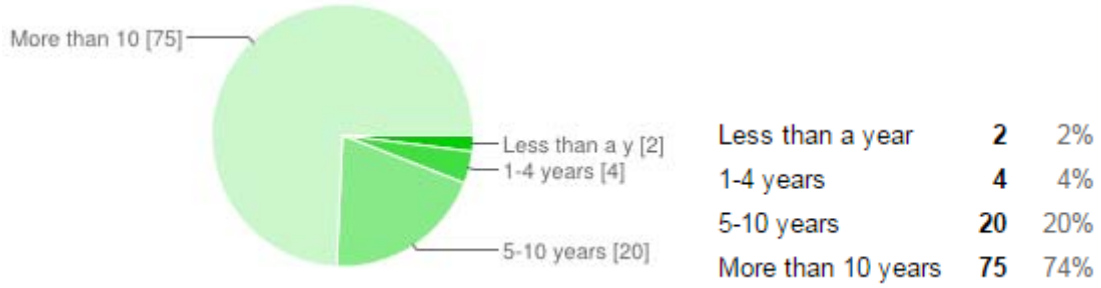


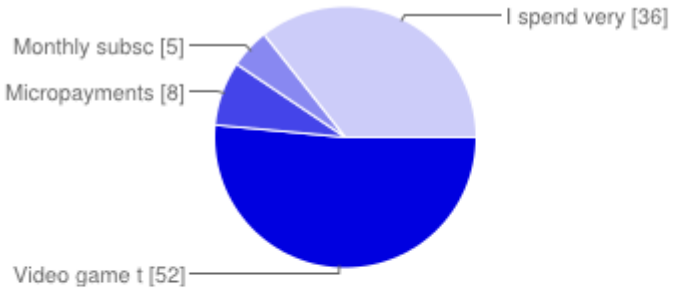
Figure 8. The amount of years the respondents have been playing video games.

A vast majority of the respondents (74,26%) report that they have played video games more than 10 years. Besides the respondents' passion for their hobby of playing video games, this could indicate that having played video games for a long time comes with stronger incentive to share one's opinion on something related, like in this case micropayments in video games. Taking into account the age distribution of the respondents for this questionnaire, there is at least a slight

indication that many of those who play video games, have started playing video games at a relatively young age.

19,80% of the respondents have played video games for 5-10 years, and a distinct minority - 5,94% - of the respodents have played video games for 4 years or less.

Video game related spending habits of the respondents (Figure 9.) indicate that consumers use little money by micropayments in relation to their other expenses for video games.



Video game titles (full priced pay-to-play games)	52	51%
Micropayments within video games	8	8%
Monthly subscriptions	5	5%
I spend very little money on games (free-to-play games / other reason)	36	36%

Figure 9. Video game related spending habits of the respondents.

A strong majority of the respondents (51,49%) spends most money on video game titles, when it comes to their hobby of video games. This indicates that the classic way of consuming video games is still alive and well. In contrast, 35,64% of the respondents report to spending very little money on video games. Only 4,95% of the respondents claim to be spending most money on monthly subscriptions, leaving these alternative pricing models in minority.

The most notable result of this distribution of spending habits related to this thesis is that only 7,92% of the respondents report to spending most money by

micropayments in video games. This suggests that micropayments in video games may not be as popular as speculated in the literature review part of this thesis, or it could just mean that many of those who use micropayments in video games, still pay a full price for their video game that they are initially purchasing. This may also indicate that the usage of micropayments has not been the main motivation to take this questionnaire about micropayments in video games, but there is a majority of individuals, who still want to share their opinion on the matter. This further contributes to the statement that customers' see micropayments in controversial light. It is also acknowledged that this questionnaire question might have been difficult to answer precicely to by the respondents, seeing that some purchace decisions are made 'on the spur of the moment', and hence difficult to recall.

4.3 What do customers like about micropayments in video games

This category, which is directly related to the first research question - *What do customers like about micropayments in video games?* – was covered by one question (Figure 10.) in the questionnaire, accompanied by a multitude of answer options that the respondent could choose none or multiple of, as well as answer to the question in their own words.

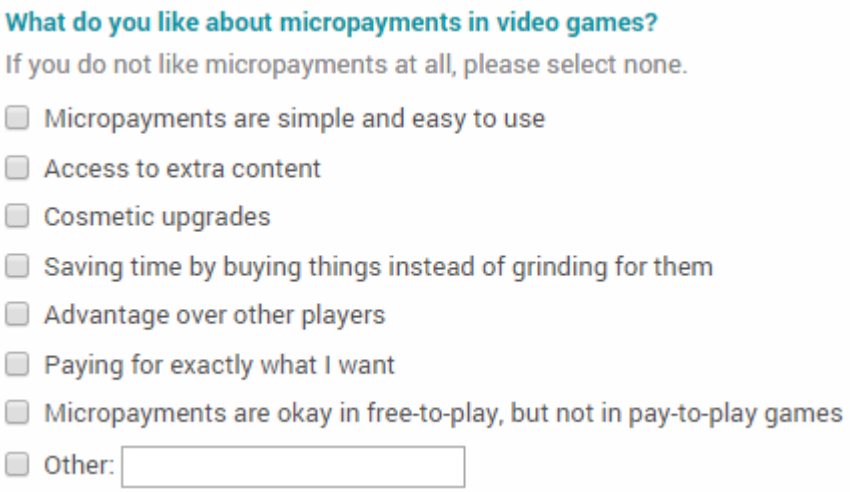
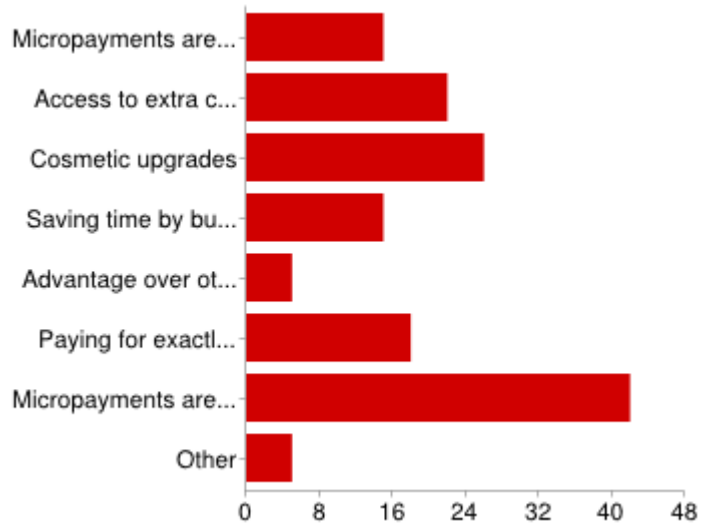


Figure 10. Questionnaire question related to the first research question.

4.3.1 Analysis of quantitive data

Figure 11 shows the distribution of answers to the questionnaire question *What do you like about micropayments in video games?*



Micropayments are simple and easy to use	**15**	15%
Access to extra content	**22**	22%
Cosmetic upgrades	**26**	26%
Saving time by buying things instead of grinding for them	**15**	15%
Advantage over other players	**5**	5%
Paying for exactly what I want	**18**	18%
Micropayments are okay in free-to-play, but not in pay-to-play games	**42**	42%
Other	**5**	5%

Figure 11. What do customers like about micropayments in video games.

As it was not compulsory to select any of the answer options, we can deduce that all the responses represent relevantly genuine opinions of the respondents. From this distribution of answers, in general it can be concluded that micropayments in video games are not liked very well by the customers outside free-to-play games. Especially advantage over other players is quite a rare reason to like micropayments in video games.

14,85% of the respondents like micropayments in video games, because **micropayments are simple and easy to use**.

> *As a successful pricing model, micropayments are often characterized by reliability, security and **ease of use** (Stanford University, 2011).*

As shown in the next category, it is evident that very few respondents are claiming micropayments in video games to be difficult to use. The fact that 14,85% of the respondents dignify ease of use as a reason to like micropayments in video games, supports Stanford University's (2011) statement of ease of use being a key characteristic in a successful micropayment pricing model. Because of this, and the generality that ease of use is a positive aspect in a service, it can be speculated that those of the respondents, who did not choose this statement as an incentive to like micropayments in video games, simply take this aspect as a given.

Access to extra content was a moderately popular reason - 21,78% of all the respondents - to like micropayments in video games.

> *Services under the micropayment pricing model in video games may offer the consumer anything from game-changing upgrades and **extra content** to minor cosmetic perks.*

This indicates that a relevantly big portion of those who play video games, are happy to pay small sums of money to get more content to their game. The concept of extra content often referring to downloadable content for full priced pay-to-play games, it can be deducted that even in pay-to-play games, micropayments can be appreciated – at least if the customer feels that they are paying for something extra, as opposed to paying for essential parts of the game along the way.

Cosmetic upgrades are the most popular reason for customers to like micropayments in video games in general.

> *Lastly, it should be emphasized that the most respected games utilizing micropayments, such as an online multiplayer game Dota 2 (Figure 4.), focus on monetizing **cosmetic upgrades** that have no effect on gameplay (Tassi, 2013).*

This could indicate that cosmetic upgrades are merely the most acceptable reason to utilize micropayments in video games, but it also suggests that there is a relevantly big portion of those respondents, who would be willing to pay for cosmetic upgrades, which have no effect on gameplay itself. This puts emphasis on personalization, individualism, and graphical aspects in video games.

Saving time by buying things instead of grinding for them was listed as a reason to like micropayments in video games by 14,85% of the respondents.

> *Gamer and blogger Kevin Quan (2005) wrote in his blog that micropayments are a great idea,* ***because it lets him invest money instead of time in video games****, because he values his time more than the money – it lets him be on the same level with those players, who have more time to invest than he does.*

This reason being more popular than 'advantage over other players' indicates that saving time is more about getting to same level with other players using micropayments, rather than gaining advantage over other players. It can be deducted that there is at least a small market for micropayment-utilized options that let you save time within a game – options that enable one to choose what one spends time on, and what one spends money on.

As stated before, **advantage over other players** was the least popular reason to like micropayments at 4,95% of all respondents.

> *The aforementioned non-cosmetic in-game items should not offer* ***unfair advantage in multiplayer games*** *(Tassi, 2013).*

It must be taken into account that advantage over other players is naturally concerned only in multiplayer games. The low percentage of respondents choosing this as a reason to like micropayments in video games could just mean that a big portion of the respondents play mostly single-player games. However, this result does support Tassi's (2013) claim that most gamers frown upon micropayments enabling players, who spend a lot of money in the game, to gain unfair advantage.

Paying for exactly what one wants is the third most poular reason to like micropayments at 17,82% of all respondents.

> *"The next and much bigger piece [of the business] is microtransactions within games," explains the Chief Financial Officer of Electronic Arts, Blake Jorgensen. "We're building into all of our games the ability to pay for things along the way,* ***either to get to a higher level to buy a new character, to buy a truck, a gun, whatever it might be, and consumers are enjoying and embracing that way of the business****" (Pearson, 2013).*

This further indicates that customers want to have the ability to choose what they pay for, as opposed to being forced to pay for essentials. It can be concluded whether it is extra content, cosmetic upgrades or about saving time, customers want to be able to choose what they pay for. This supports the the earlier statement that micropayments can be a successful pricing model in video games, as long as it is implemented 'the right way'.

The statement among the answer options, '**micropayments are okay in free-to-play, but not in pay-to-play games**' was supported by 41,58% of the respondents.

> *Award winning indie developer Steve Stopps argues that when it comes to micropayments,* ***the free-to-play model is favoured by the customers*** *(Jenkins, 2014).*

While this is not a reason to like micropayments in video games in itself, it is still a notable observation in this research. This statement being by far the most favoured answer option within the questionnaire question, it can be concluded that a significant portion of the customers think this way, further contributing to the estimation of customers' dissatisfaction over micropayments utilized in pay-to-play games. Most importantly, this result confirms Stopps' argument about customers favouring the free-to-play model when it comes to micropayments in video games (Jenkins, 2014).

4.3.2 Analysis of qualitative data

Four respondents answered in their own words (Figure 11 shows 5 'other' responses, but one of them was in error), what do they like about micropayments in video games. These answers are covered briefly, to give extra insight on

customers' perspective over the matter. As are all the responses to the questionnaire, these answers of open word are completely anonymous.

"Support the Dev to keep the game alive"

Respondent claims that micropayments enable a good way to show one's support to the development team of a video game. This implies that micropayments in video games can be seen in a positive light, when the consumer feels good about the game in general.

"It's a good way of trying a game without paying full-orice prior to spending money on it"

Free-to-play model gets futher support by this respondent.

"Some DLC is released to much later than the actual game that I'm convinced the DLC was completed afterwards as a semi-detached operation. In such cases, I can accept paying for the content. Borderlands in particular springs to mind, as does its sequel to a lesser extent."

The respondent refers to the issue of companies purposefully selling incomplete games, because the micropayment pricing model enables parts of the game sold separately. As the respondent implies, it is more acceptable, if it is evident that the 'downloadable' or 'extra' content is in fact an extra that the consumer can choose or choose not buy.

"if its not forced i dont care"

It can be concluded that no hatred is channeled toward micropayments in video games by the consumer, as long as the customer does not feel forced to use them.

4.4 What do customers dislike about micropayments in video games

This category, which is directly related to the second research question - *What do customers dislike about micropayments in video games?* – was covered by one question (Figure 12.) in the questionnaire, accompanied by a multitude of

answer options that the respondent could choose none or multiple of, as well as answer to the question in their own words.

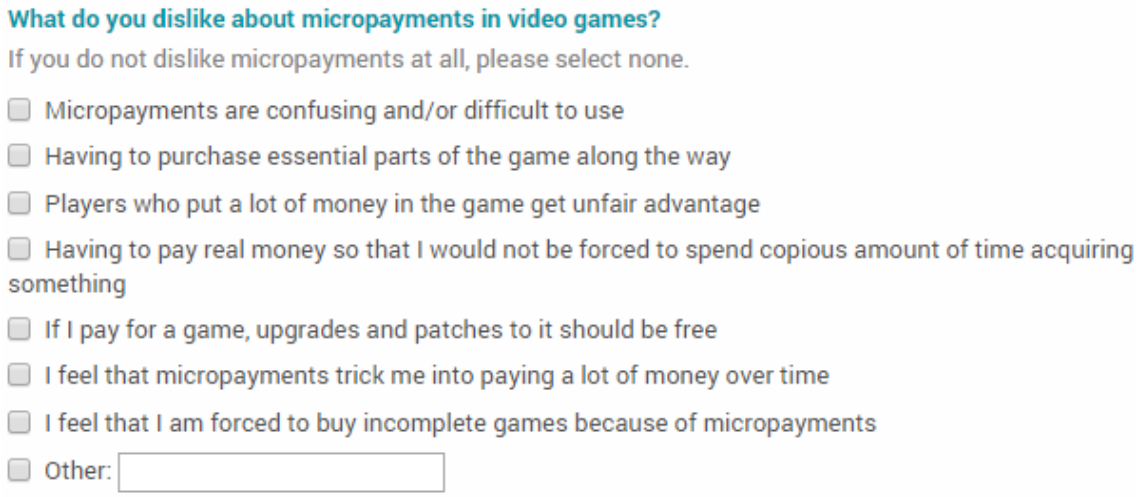
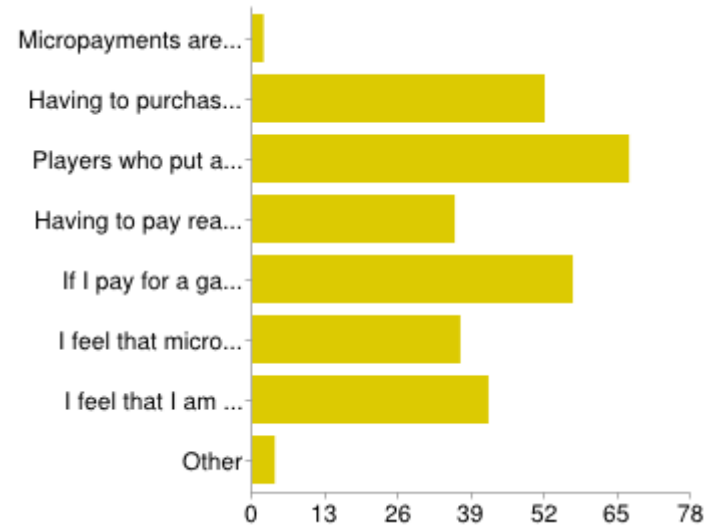


Figure 12. Questionnaire question related to the second research question.

Figure 13 shows the distribution of answers to the questionnaire question *What do you dislike about micropayments in video games?*



Micropayments are confusing and/or difficult to use	**2**	2%
Having to purchase essential parts of the game along the way	**52**	51%
Players who put a lot of money in the game get unfair advantage	**67**	66%
Having to pay real money so that I would not be forced to spend copious amount of time acquiring something	**36**	36%
If I pay for a game, upgrades and patches to it should be free	**57**	56%
I feel that micropayments trick me into paying a lot of money over time	**37**	37%
I feel that I am forced to buy incomplete games because of micropayments	**42**	42%
Other	**4**	4%

Figure 13. What do customers dislike about micropayments in video games.

As it was not compulsory to select any of the answer options, we can deduce that all the responses represent relevantly genuine opinions of the respondents. It is evident that this questionnaire question about disliking micropayments has a higher ratio of responses than the one about liking them, indicating that micropayments in video games are somewhat more disliked than liked.

4.4.1 Analysis of quantitative data

Based on the responses, it is quite clear that customers do not perceive **micropayments confusing or difficult to use**. A mere 1,89% of the respondents chose this statement as a reason to dislike micropayments in video games.

Clear pricing policies *should always be utilized in micropayments (Tassi, 2013).*

It can be concluded that Tassi's (2013) guideline of clarity in micropayments is well enforced by companies utilizing them; confusion or difficulty of use are seen as a reason to dislike micropayments by very few.

An above average support was given by the respondents (51,49%) to the statement of **having to purchase essential parts of the game along the way** as a reason to dislike micropayments in video games.

> *Straightforwardly **locking essential parts of a game** behind a 'paywall' feels wrong to the customers and drives them away (Tassi, 2013).*

In this statement, 'essential' is the key word. As concluded before, customers do not have a problem with micropayments in video games, unless they feel forced to use them. This indicates, as supported by Tassi (2013), that not having access to essential parts of the game without paying small sums of money whilst playing, causes negative feelings to the customer. A strong deduction can be made that locking essential parts of a game behind a 'paywall' is not advisable to companies utilizing micropayments in their video games, if they intend to appear respected.

The most popular argument, selected by 66,34% of the respondents as a reason to dislike micropayments, goes '**players who put a lot of money in the game get unfair advantage**'.

> *The aforementioned non-cosmetic in-game items should not offer **unfair advantage** in multiplayer games (Tassi, 2013).*

A high percentage of respondents selecting this argument indicates that this is a legimate issue observed in the utilization of micropayments in video games. Combining this earlier observation with the fact that only 4,95% of all respondents chose 'advantage over other players' as a reason to like micropayments, it can be concluded that services or products utilizing micropayments in video games should not offer unfair advantage, just as Tassi (2013) suggests.

The statement '**having to pay real money so that I would not be forced to spend copious amount of time acquiring something**' was a moderately popular reason (35,64% of all respondents) to dislike micropayments in video games.

> *Video games should not be designed around **paying to save time** (Tassi, 2013).*

As deducted earlier, there is at least a small market for services that offer consumers to save time within a video game by paying small sums of money, as long as these services do not offer unfair advantage over other players. What we can further deduce on the subject from the moderate popularity of this statement in question is that there is an invisible line that should not be crossed. What is meant by this, is that on one side there are these services that offer convenience of saving time for those consumers who are willing to pay for it, and on the other side the gap is too high: consumers feel that since these services exist, it is essential to use them, or they will feel underfoot. In short, the conclusion here, as conveyed before, is that customers do not want to feel forced to use micropayments in video games.

'**If I pay for a game, upgrades and patches to it should be free**' was the second most popular statement chosen as a reason to dislike micropayments in video games by 56,44% of the respondents.

> *It increases the value of the game in the eyes of the customers, if not all upgrades to the game are behind micropayments – **'free stuff' and maintaining the game's quality** enhance a positive image and earn the customers' respect (Tassi, 2013).*

I have observed that upgrades and patches to video games have been free on a higher percentage before the rise of micropayments in video games. Nowadays it feels to me that many of the video game companies, instead of focusing on customer satisfaction, are trying to monetize every improvement made to exsisting games. From the popularity of this statement as a reason to dislike micropayments in video games, it can be deducted that customers are reluctant to give this free service and maintenance up, as they have experienced this in the past. In this research, it is taken into account that 74,26% of the respondents have been playing video games for more than 10 years, and have therefore observed this shift. Tassi's (2013) deduction of 'free stuff' and maintaining the game's quality enhancing a positive image and earning the customers' respect is supported by this research result: more than half of all customers dislike micropayments because these things most often are no longer free.

'**I feel that micropayments trick me into paying a lot of money over time**' was another moderately popular reason (36,63% of the respondents) to dislike micropayments in video games.

> *The free-to-play model is ideal for micropayments: access to the video game is given free to the customer, and then the customer is sold extra content and upgrades for 'insignificant' amounts of money,* ***and these purchaces often multiply to a more significant amount of money*** *(Empson, 2012).*

From the video game companies' perspective, this is naturally a very good thing, potentially increasing their profits. However since the focus of this research is on the customers' perspective, and since this statement was surprisingly popular, it must be noted that this issue exists. Previously I have speculated that only a minor portion of consumers would be experiencing this issue – those that are prone to addictions in general. This study result however suggests that my previous speculation has been in the wrong, as a relevantly big portion of the respondents find this as a reason to dislike micropayments. The positive conclusion of this is that it is not the small minority of those customers with addictive personality that get exploited by this pricing model in video games.

One of the semi-popular reasons to dislike micropayments was the statement '**I feel that I am forced to buy incomplete games because of micropayments**', selected by 41,58% of the respondents.

> *According to my observations in video game forums, as agreed by blogger Chris Hernandez (2013), one of customers' worst fears regarding micropayments is companies purposefully selling* ***incomplete video games****, with the ulterior motive of selling rest of the game as 'expansion packs' and other extra content.*

Seeing that almost half of the respondents find this issue a reason to dislike micropayments, it ought to be taken seriously. This issue goes quite heavily against the idea of classing gaming, where one could buy video game title with the expection that is the best possible product the developers could come up with their resources. Based on these research results, it is evident that these kind of tricks, purposefully selling incomplete video games [about which Hernandez (2013) explained], are such that customers dislike. Based on the support of

41,58% of the respondents, it can be concluded that this issue may be more transparent than video game companies realize.

4.4.2 Analysis of qualitative data

Three respondents answered in their own words (Figure 13 shows 4 ‘other’ responses, but one of them was in error), what do they dislike about micropayments in video games. These answers are covered briefly, to give extra insight on customers’ perspective over the matter.

“The game is deliberately made so boring that people are willing to pay money to skip parts of it!”

Personally I find this an excellent argument, that I did not find evidence of in the secondary data I researched. It would be interesting to find out, whether this reason to dislike micropayments in video games is more widely shared. Basically, the core idea behind this is the very same of the issue of purposefully selling incomplete games, which was covered earlier in this chapter.

“When it gives an advantage to who pays in front of who is free”

This argument by the respondent refers to the issue of micropayments offering unfair advantage some players. However this concern is more specified – it addresses the issue of the handicap between those, who purchace the full game up front, and those who are playing with a free licence. It could be deducted that this particular model might raise concerns among customers.

“when the system is abused”

This argument by the respondent adds credibility to the hypothesis in this thesis that micropayments can be implemented ‘the right way’ or the ‘wrong way’. Naturally, when the system is being abused, something has been done the wrong way.

4.5 Customers' perception of video game prices over the years

This category, which is directly related to the third research question - *Do customers feel that video games have gotten more expensive over the years?* - was covered by one question (Figure 14.) in the questionnaire.

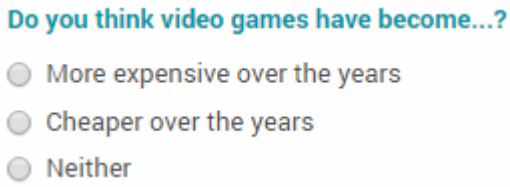


Figure 14. Questionnaire question related to the third research question.

Figure 15 presents the results of this questionnaire question.

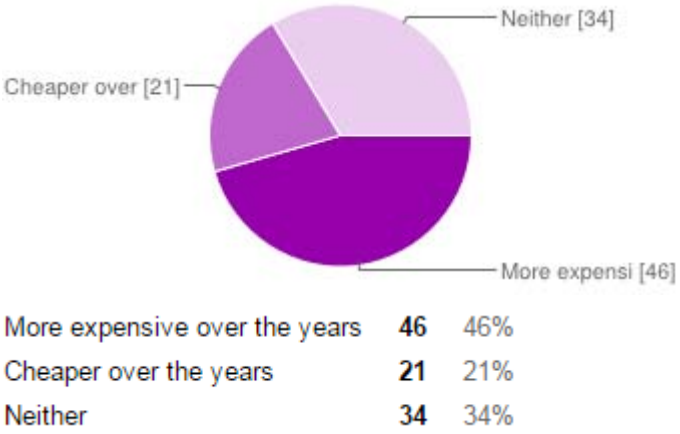


Figure 15. Customers' perception of video game prices over the years.

This category is supported by the demographic question about the amount of years the respondents have been playing video games. As 74,26% of the respondents have been playing video games for more than 10 years, and in total 94,06% of all respondets have been playing video games 5 years or more, it is established that these respondents have a fairly good basis to have an justifiable opinion in this matter. To clarify, opinion is exactly what was sought after with this

questionnaire question – **the customers' perception of video game prices over the years**.

33,66% of the respondents answered 'neither' to the regarding questionnaire question. This suggests that approximately a third of the respondents thought that the video games cost pretty much the same now that they have in the past, or that they did not have a strong opinion on the subject. It could also be because of the controversy, that they may think full priced pay-to-play games have gotten pricier, but they also take the popular free-to-play video games into account. It is acknowledged that this questionnaire question could have benefitted from more specificity.

There is quite an evident difference between the amount of answers as 'more expensive over the years' and 'cheaper over the years'. As suggested in my main hypothesis – a slight majority of the respondents (45,54%) thought that video games have gotten more expensive over the years. A slight minority of the respondents (20,79%) however thought that video games have gotten cheaper over the years.

> *"Costs for the video game companies having gone up, video game prices having actually gone down, and yet consumers perceiving the prices having gotten higher… All these factors favor cutting the price of playing a video game in smaller pieces, making the prices more approachable to customers on the level of perception."*

A slight majority of 45,54% does not actually confirm my hypothesis of consumers perceiving the pricing having gotten higher, but it certainly suggests that I am not completely in the wrong. As shown by secondary data in the literature review chapter, when taking into account inflation, video game prices have in general actually gone down, and in addition there now exist a lot of games under the free-to-play model – taking these things into account, 45,54% of the respondents 'feeling' the opposite is quite significant. Of course there is the possibility that customers perceive those games, which are initially cheaper but utilize micropayments for further monetizing, more expensive than games in the past

that initially cost more. Again, this is a matter that could benefit from further research.

More likely, however, is that customers are not taking into account inflation when constructing their opinion, and feel that the full priced pay-to-play games are more expensive than before, at least in the current economic situation. It would then make sense, as my hypothesis suggests, that customers perceive free-to-play, and other initially cheaper video games that utilize micropayments, a more plausible option for their personal budget. The fact that 36,66% of the respondents felt that micropayments trick them into paying a lot of money over time supports this conclusion – customers feel that their hobby of video games costs less, when they pay small sums from time to time instead of paying full price of a game at once.

5 CONCLUSIONS OF THE STUDY

The main objective of this thesis was to find out in depth, what customers really think about micropayments in video games, and why. This objective was narrowed down by composing three research questions:

1. What do customers like about micropayments in video games?
2. What do customers dislike about micropayments in video games?
3. Do customers feel that video games have gotten more expensive over the years?

In this chapter, analysed findings of the research related to the research questions are concluded. It is encouraged that these analysed findings would be used as a basis for further research. More specific suggestions for further research have been given in the analysis of the research findings chapter, and the most crucial improvement of research would be to increase the sample size.

5.1 What do customers like about micropayments in video games

Most notable reasons for customers to like micropayments in video games uncovered in this study are listed in order of popularity, beginning from the most popular reason.

- Customers favour free-to-play model instead of pay-to-play when it comes to micropayments in video games (42%).
- Cosmetic upgrades are the most acceptable utilization of micropayments in video games (26%).
- Customers are willing to pay small sums for extra content in video games, as long as the content is distinctly extra, as opposed to essential (22%).
- Customers want to have the option to choose what they pay for within video games, as opposed to being forced (18%).
- Micropayments being easy to use in video games is essential (15%).
- Paying to save time within a video games is an alright option, as long as the customers do not feel forced to do so (15%).

- Acquiring advantage over other players in video games by using micropayments was the least popular reason to like micropayments (5%).

5.2 What do customers dislike about micropayments in video games

Most notable reasons for customers to dislike micropayments in video games uncovered in this study are listed in order of popularity, beginning from the most popular reason.

- Customers do not like micropayments in video games to offer unfair advantage to those players who spend a lot of money in the game (66%).
- Customers appreciate it if maintenance and other upgrades in quality of a video game are at least sometimes offered free of charge to the customer (56%).
- Customers do not like to pay for essential parts of the video game along the way; none of the purchace decisions should feel forced, and the customer should be able to choose what one wants to pay for (51%).
- Customers do not like being purposefully sold incomplete video games, having to pay for ‘pseudo-extras’ later on (42%).
- Customers do not appreciate being tricked into paying a lot of money over time using micropayments in video games (37%).
- Customers do not want to be forced to spend a lot of money on something in video games for not having to ‘work’ for it in-game (36%).
- Micropayments in video games should not be confusing or difficult to use (2%).

5.3 Do customers feel that video games have gotten more expensive over the years

Almost half (46%) of the respondents, who completed the questionnaire, felt that video games have gotten more expensive over the years. Only a minority of the respondents (21%) thought that video games have gotten cheaper over the years. A moderate amount of the respodents (34%) supported neither of these statements.

Taken into account that in the light of secondary data in this thesis video games have in fact gotten cheaper over the years, it was concluded that that customers' perception of video game prices over the years differ from the truth. Customers' perception being an important factor in pricing, it was deducted that it may have an effect on the popularity of micropayments in video games – cutting up the 'full price' into smaller sums is perceived 'easier for the budget' by the customers.

5.4 Suggestions for further research

As suggested before, the results of the research in this thesis may be used as a basis for planning further research on customers' perspective on micropayments in video games. While replicating the research with a bigger sample size might be beneficial, my recommendation is to increase the specificity of the research for even more applicable results.

Seeing that there are many different types of video games that utilize micropayments, and many different platforms those video games are played on, naturally they have different types of target audiences as well. In an example scenario, the customers' viewpoint on micropayments may be quite different depending on whether they are playing a mobile game on their way to school or work, or if they are playing a massive multiplayer online game for hours on end each day on their personal computer.

To be specific, I could suggest focusing further research to a platform category such as these:

- console games,
- PC games,
- or mobile games.

A distinction could also be made between

- free-to-play games,
- pay-to-play games,
- subscription based games,

- and other such models in which micropayments are utilized.

As implied in my example scenario, whilst planning further research, one could consider categorizing research according to different types of video games as well; and in what kind of situations those video games are played. These categories could for example be ‘casual video games’ and ‘competitive video games’, but it is recommended to tailor these categories according to the objective of the research.

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Appendix 1. Questionnaire form

Micropayments in video games

*Required

Do you play video games? *

- ○ Yes
- ○ No - this questionnaire is not for me

Have you ever used micropayments in video games? *

(paid small sums of real money within a video game)

- ○ Never
- ○ In the past yes, but not anymore
- ○ Yes, sometimes
- ○ Yes, often

What do you like about micropayments in video games?

If you do not like micropayments at all, please select none.

- ☐ Micropayments are simple and easy to use
- ☐ Access to extra content
- ☐ Cosmetic upgrades
- ☐ Saving time by buying things instead of grinding for them
- ☐ Advantage over other players
- ☐ Paying for exactly what I want
- ☐ Micropayments are okay in free-to-play, but not in pay-to-play games
- ☐ Other: _____

What do you dislike about micropayments in video games?

If you do not dislike micropayments at all, please select none.

- ☐ Micropayments are confusing and/or difficult to use
- ☐ Having to purchase essential parts of the game along the way
- ☐ Players who put a lot of money in the game get unfair advantage
- ☐ Having to pay real money so that I would not be forced to spend copious amount of time acquiring something
- ☐ If I pay for a game, upgrades and patches to it should be free
- ☐ I feel that micropayments trick me into paying a lot of money over time
- ☐ I feel that I am forced to buy incomplete games because of micropayments
- ☐ Other: _____

For how long have you played video games? *

- Less than a year
- 1-4 years
- 5-10 years
- More than 10 years

Do you think video games have become...? *

- More expensive over the years
- Cheaper over the years
- Neither

What do you nowadays spend most money on? *

- Video game titles (full priced pay-to-play games)
- Micropayments within video games
- Monthly subscriptions
- I spend very little money on games (free-to-play games / other reason)

How old are you? *

- Under 16
- 16-20
- 21-25
- 26-30
- 31-35
- Over 36

What is your gender? *

- Male
- Female
- Other / do not want to disclose

Appendix 2. Utilized internet forums

- AfterDawn
    - http://keskustelu.afterdawn.com/
- Steam Users' Forums
    - http://forums.steampowered.com/forums/
- IGN Boards
    - http://www.ign.com/boards/
- Smite Forums
    - http://forums.smitegame.com/
- Forum - GOG.com
    - http://www.gog.com/forum
    - Author was unable to post links
- Forums - GameSpot
    - http://www.gamespot.com/forums/
    - Author was unable to post links
- Wowhead Forums
    - http://www.wowhead.com/forums
    - Author requested permission for academic research; no reply
- Forum - MMO-Champion
    - http://www.mmo-champion.com/forum.php
    - Author was unable to post links